

Message Text

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43

ACTION NEA-12

INFO OCT-01 ISO-00 EB-11 COME-00 TRSE-00 AID-20 AGR-20 L-03

H-03 SS-20 NSC-10 CIAE-00 DODE-00 INR-10 NSAE-00

PA-04 RSC-01 USIA-15 PRS-01 SPC-03 DRC-01 ABF-01

OMB-01 FBO-01 XMB-07 EA-11 /156 W

----- 090641

R 100845Z NOV 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 7815

C O N F I D E N T I A L NEW DELHI 13046

FOR NEA/INS DENNIS KUX FROM AMBASSADOR

E.O. 11652: N/A

TAGS: EAID, IN

SUBJECT: RUPEE NEGOTIATIONS

1. THIS MORNING'S "STATESMAN" HAS WARREN UNNA'S STORY
"SENATE PL 480 FUND CURB EASED." THE TEXT IS AS FOLLOWS:
BEGIN QUOTE HOUSE AND SENATE FOREIGN RELATIONS COMMITTEE
CONFEREES YESTERDAY AGREED TO EASE A SENATE-APPROVED
RESTRICTION ON THE INDO-AMERICAN AGREEMENT TO SETTLE THE
VAST ACCOUNT OF U. S. OWNED INDIAN RUPEES.

THE LEGISLATORS KNOCKED OUT A SEPTEMBER AMENDMENT
TO THE FOREIGN AID AUTHORIZATION BILL BY SENATOR HARRY
BYRD, A CONSERVATIVE INDEPENDENT FROM THE STATE OF
VIRGINIA, WHICH WOULD HAVE PREVENTED PRESIDENT NIXON
FROM SETTLING THE \$3.3 BILLION ACCOUNT OF U.S. OWNDE
RUPEES UNLESS CONGRESS FIRST APPROVED. AND, BECAUSE OF
THE ARGUMENTS SENATOR BYRD MADE ABOUT THIS BEING
A "GIVEAWAY" TO INDIA, COMGRESSIONAL DISAPPROVAL WAS
PRETTY MUCH PRE-ORDAINGE.

IN A CLOSED-DOOR COMPROMISE MOVE YESTERDAY, WHICH WILL
NOT BE ANNOUNCED UNTIL THE ENTIRE HOUSE-SENATE CONFERENCE
ON THE FOREIGN AID AUTHORIZATION BILL IS COMPLETED AND
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ANNOUNCED--POSSIBLY NEXT WEEK--THIS IS WHAT HAPPENED:

THE HOUSE CONFEREES WERE ABLE TO PERSUADE THE SENATE CONFEREES TO DROP THE BYRD AMENDMENT IN RETURN FOR A STIPULATION THAT WHEN PRESIDENT NIXON FORMALLY APPROVES THE AGREEMENT IT MUST BE SUBMITTED TO BOTH THE HOUSE AND SENATE FOREIGN RELATIONS COMMITTEES TO GIVE THEM A CHANCE TO VETO IT.

BY LAW, SUCH AGREEMENTS ALREADY MUST BE SUBMITTED TO BOTH THE HOUSE AND SENATE AGRICULTURAL COMMITTEES SINCE MOST OF THE RUPEES ACCRUE FROM THE SALE TO INDIA OF U.S. GRAIN.

ADMINISTRATION OFFICIALS WERE ABLE TO PERSUADE CONGRESS TO REMOVE A SIMILAR BYRD AMENDMENT FROM A MILITARY PROCUREMENT AUTHORIZATION BILL BEFORE THEIR SUCCESS YESTERDAY IN THE FOREIGN AID AUTHORIZATION BILL. BECAUSE OF THESE TWO SUCCESSES, THERE NOW IS REASON TO BELIEVE THAT THE INDO-AMERICAN AGREEMENT WILL BE ABLE TO PROCEED AS INTENDED.

UNDER THE TERMS OF THE INDO-U.S. AGREEMENT, THE RUPEES WILL CEASE ACCUMULATING INTEREST AT A RATE WHICH WOULD HAVE INCREASED THE ACCOUNT TO AN ESTIMATED \$6 BILLION BY THE END OF THE CENTURY INSTEAD, THE USA NOW WILL BE ALLOWED TO SPEND \$1 BILLION WORTH OF THE RUPEES, \$100 MILLION WILL BE REPAID IN CONVERTIBLE FOREIGN EXCHANGE AND THE REMAINING \$900 MILLION WILL BE AVAILABLE FOR TERMINAL SPENDING ON U.S. EMBASSY HOUSEHOLD EXPENSES IN INDIA. EMBASSY RUPEE EXPENSES NOW RUN AROUND \$50 MILLION A YEAR.

IN ADDITION, AN AMOUNT OF \$25 MILLION IN U.S. OWNED RUPEES WILL BE ALLOWED FOR U.S. FOREIGN AID PROJECTS IN NEPAL.

THE REMAINDER OF THE \$3.3 MILLION ACCOUNT--NEARLY \$2.3 BILLION--WILL REVERT TO INDIA FOR SUCH NONINFLATIONARY DEVELOPMENT PROJECTS AS SHE SEES FIT TO UNDERTAKE.

SENATOR FRANK CHURCH (DEM--IDAHO) ONE OF THE KEY SENATORS LEADING THE FIGHT AGAINST THE BYRD AMENDMENT AT YESTERDAY'S CONFERENCE MEETING, DECLARED: "THIS CONFIDENTIAL

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RUPEE AGREEMENT IS GOOD AND NEEDED ONE. FROM THE FINANCIAL POINT OF VIEW, IT PERMITS THE CONTINUED USE OF THESE RUPEES FOR U.S. HOUSEHOLD EXPENSES, WHICH ARE CONSIDERABLE. AND FROM THE POINT OF VIEW OF PROVIDING A SOLUTION TO AN UNSETTLED PROBLEM WHICH HAS RANKLED RELATIONS BETWEEN INDIA AND THE UNITED STATES, IT ALSO IS OF CONSIDERABLE VALUE."

2. NOTE THAT STORY CREDITS HOUSE CONFERENCE WITH
PERSUADING THE SENATORS. STORY ALSO QUOTES SENATOR
CHURCH. OBVIOUSLY THIS IS NOT A MATTER OF THE
INFORMATION HAVING COME FROM THE EXECUTIVE, AND I
THINK YOU CAN MAKE THAT CLEAR. HOWEVER, I WOULD
LIKE TO SUGGEST THAT SOMEONE CALL FATHER BARRETT.
I HAVE CABLED SPEAKER MCCORMACK AND FURTHER I WOULD
LIKE TO KNOW WHEN I CAN SEND LETTERS OF THANKS TO OTHERS.

3. AGAIN MY HUGE CONGRATULATIONS.
MOYNIHAN

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: AGREEMENTS, US CONGRESSIONAL HEARINGS, FOREIGN ASSISTANCE, CONVERTIBLE FOREIGN EXCHANGE, RUPEE, NEGOTIATIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973NEWDE13046
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: DG ALTERED
Executive Order: GS
Errors: N/A
Film Number: n/a
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731142/aaaabeqv.tel
Line Count: 126
Locator: TEXT ON-LINE
Office: ACTION NEA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 19 DEC 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19-Dec-2001 by shawdg>; APPROVED <06 MAR 2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: RUPEE NEGOTIATIONS
TAGS: EAID, EFIN, IN, US
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005